



## FINANCE COMMITTEE

### Hundred and Twenty-eighth Session

Rome, 27 – 31 July 2009

### Measures to Encourage Timely Payment of Contributions

*(Extract from the Report of the 126th Session of the Finance Committee, 11-15 May 2009 – Document CL 136/8 – Paras 42-46)*

#### *MEASURES TO ENCOURAGE TIMELY PAYMENT OF CONTRIBUTIONS*

42. The Committee examined the document prepared by the Secretariat which summarized the discussions and actions taken in this area since 2004, and listed measures currently in place and proposed measures still under consideration.
43. The Committee also considered the information on borrowing forecasts provided by the Secretariat during discussion of the Financial Highlights, and agreed that the Regular Programme liquidity situation was critical and could only be improved through timely payment of assessed contributions by Member Nations. Some Committee members noted that the level of the Organization's reserves (WCF and SRA) appeared inadequate compared to the average monthly Regular Programme disbursements of USD 44 million, and this meant the Organization remained vulnerable in case of delays in payment of current assessments by large contributors. The Committee stressed that all countries pay their assessed contributions on time and for those in arrears to settle them without delay, as these weighed heavily on liquidity levels. The Committee recognized, however, that certain countries in arrears faced extremely difficult economic situations.
44. The Committee recalled that the discount rate for the current Incentive Scheme to Encourage Prompt Payment of Contributions had been set at zero since 2004. Many members felt that such schemes were not effective as the budget cycle of member countries and other political issues were the factors which determined the timing of payments received. One member of the Committee considered that it was important to re-instate even a small discount rate to send a

signal to Members of the Organization to encourage prompt payment of contributions. The Committee also noted the document's description of incentives.

45. The Committee reviewed and supported all measures currently in place to encourage timely payment by Members and stressed that existing rules should be strictly enforced.

46. The Committee agreed to list (below) all of the initial proposals emerging from its discussion, for preliminary Council consideration, and to defer further discussion to the July 2009 session of the Finance Committee:

- a) the restriction under General Rules of the Organization (GRO) XXII-5 & XXII-7 (as regards eligibility for Council election and loss of seat for Member Nations in arrears of more than the total of contributions due for the two preceding calendar years) should be extended to include loss of seat in the Finance and Programme Committees, and in Council Committees;
- b) the sanctions provided under Article III.4 (loss of voting rights) and GRO XXII-5 and XXII-7 (Council election or seat) should be amended so that only one year of arrears (instead of two) would result in the sanctions;
- c) interest should be charged on late payments or external borrowing costs should be borne by countries with outstanding contributions;
- d) Member Nations in arrears of more than the total of contributions due for the two preceding calendar years should be required to submit an installment plan to the Finance Committee for review, and subsequent approval by the Conference, while Member Nations in arrears for amounts less than that should be required to provide written explanation on the reason for such arrears to the Finance Committee for review;
- e) existing regulations on loss of voting rights should be rigorously applied;
- f) TCP assistance and recruitment of nationals should not be available for countries in arrears; and
- g) a set of guidelines should be developed setting out conditions for accepting voluntary contributions from Member Nations in arrears.